United Nations A/C.5/56/SR.49

General Assembly
Fifty-sixth session

Official Records

Distr.: General
11 April 2002

Original: English

Fifth Committee

Summary record of the 49th meeting
Held at Headquarters, New York, on Wednesday, 13 March 2002, at 10 a.m.

Chairman Mr. Effah-Apenteng ..... (Ghana)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

Contents

Agenda item 129: Improving the financial situation of the United Nations (*continued*)

Statement by the Under-Secretary-General for Management

This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned *within one week of the date of publication* to the Chief of the Official Records Editing Section, room DC2-750, 2 United Nations Plaza, and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate corrigendum for each Committee.

02-28387 (E)

The meeting was called to order at 10.10 a.m.

Agenda item 129: Improving the financial situation of the United Nations (*continued*)

Statement by the Under-Secretary-General for Management

1. **Mr. Connor** (Under-Secretary-General for Management),* presenting an end-of-year review of the financial situation of the Organization, said that the overall situation was better, both by way of liquidity and of flexibility. Even though the United Nations had finally been able to begin to put its financial house in order in 2001, new challenges had emerged which could have an impact during 2002, particularly the challenge to operate within a reduced regular budget appropriation in real terms.

2. Accomplishments in the managerial and administrative arena included an enhanced staff security plan; design work for the comprehensive plan to renovate the Headquarters complex; the roll-out of the Integrated Management Information System (IMIS) to all duty stations; increased responsibility and accountability of programme managers for personnel matters; and a commitment of resources to the support plan for peacekeeping operations. None of those activities could be sustained, however, without an adequate financial base defined in terms of cash on hand, the level of unpaid assessments and debt owed to Member States.

3. In 2001, all three components of the financial base had improved over 2000, continuing the steady progress achieved over the previous six years. Total combined cash at the end of 2001 was $1,326 million, up 32 per cent over 2000. Unpaid assessments were 7 per cent lower at $2,106 million and amounts due to Member States for troops and contingent-owned equipment were down to $748 million, a drop of 18 per cent from 2000.

4. Payment of assessments long in arrears had brought about changes in all three indicators. United States of America had paid a total of $1,669 million in contributions in 2001. Payments from other Member States amounted to $2,796 million, somewhat short of the projected amount of $3,050 million, as peacekeeping payments had fallen short of current assessments. In any case, total receipts of $4,437 million from all Member States represented the highest level of contributions received in any one year in the Organization's history.

5. As a result of those payments, aggregate cash at the end of 2001 amounted to a very high $1,326 million. Peacekeeping cash totalled $1,315 million, cash in the tribunal accounts $9 million and regular budget cash, including related reserves, aggregated $2 million. Thus, the only significant cash available was in peacekeeping operations. Both regular budget and tribunal cash were very close to zero, an important concern.

6. While the year-end figure for regular budget cash was positive, the monthly cash-flow variations had followed the usual discouraging pattern of recent years. High levels of payments from Member States had been received in January, February and March, declining levels from April to July, and some payments in August and October. That pattern had led to periodic cash deficits in regular budget cash towards the end of the year and cross-borrowing from peacekeeping operations had been necessary to maintain ongoing regular budget operations. Unfortunately, recurring cash deficits in the last months of each year had become a chronic situation for the regular budget and would be eliminated only when all Member States paid their regular budget assessments when they were due, normally by 31 January of each year.

7. If progress towards financial stability was to continue, not only must Member States pay on time, but they must also pay in full. The number of Member States that paid their regular budget assessment in full had increased steadily to 141 in 2000, but had dropped to 135 in 2001. The Secretary-General wished to thank those States that had continued to pay in full for their commitment to meeting their obligations. He hoped that the decrease of 2001 would be temporary and that Member States would improve on the positive trend of recent years. In that connection, the number of States paying their regular budget assessments in full by 31 January 2002 had been 42, an increase from 39 in the prior year period.

8. The cash situation for the two international tribunals was not encouraging. The year-end cash balance was $9 million, a small amount for activities which together cost almost $200 million per year and

* The full text of this statement will be issued as document A/56/464/Add.1.

had a staff of over 1,800. Those low cash balances were a particular concern as disbursements for salary and travel obligations could not be deferred and any negative cash flow position must therefore be countered through borrowing. In fact, limited cross-borrowing between the tribunals had occurred, but at current low levels of cash, other sources of cross-borrowing might need to be identified.

9. As for peacekeeping cash, 2001 peacekeeping assessments of just over $3 billion had almost reached the high levels of 1994 and 1995. The cash balance of $908 million had remained about the same throughout the year. However, with arrears payments of $475 million from the United States and $43 million from the Russian Federation, cash levels had spiked to $1.9 billion at the end of November. Reimbursements to Member States and the usual disbursements for yearly obligations had brought the year-end balance to $1.3 billion. Thus, while the significant inflow of cash received from Member States had led to a year-end aggregate cash balance that was the highest ever, the chronic deficit in the regular budget remained unresolved and the need for continued cross-borrowing relative to the tribunals was foreseen.

10. The second indicator of the Organization's financial health was the level of unpaid assessments. That level was only marginally lower at the end of 2001 and the overall high level of unpaid assessments therefore remained a concern. For the regular budget, outstanding amounts at year-end had changed very little from the previous two years. The United States, Brazil and Argentina together owed 85 per cent of all unpaid regular budget assessments. The United States owed 69 per cent, Brazil 9 per cent and Argentina 7 per cent. The remaining 15 per cent was owed by 51 other Member States.

11. As for peacekeeping assessments, the amount unpaid at 31 December 2001 aggregated $1,823 million, a decrease of $166 million from the previous year. Changes in the position of the United States and the Russian Federation had largely accounted for that decrease. He was pleased to note that the Russian Federation had completed its plan to pay all of its peacekeeping arrears. However, an aggregate increase in peacekeeping arrears of $334 million for other Member States had partially offset those significant payments. For the tribunals, 81 per cent of the $44 million in unpaid assessments was due from the United States (33 per cent), the Russian Federation (32 per cent) and Brazil (16 per cent). A total of 110 other Member States together owed the remaining 19 per cent.

12. The final indicator, but a particularly crucial one for the Organization's financial health, was the debt it owed to Member States. During 2001, it had been possible to make a considerable reduction in the usually intractable aggregate level of debt. As a matter of policy, the Secretary-General had paid to Member States any amounts received from the collection of assessments long in arrears. At year-end, the Organization had been current on all certified claims pending in accounts payable, except for three peacekeeping operations, where cash continued to be unavailable to make payments. It had also been possible to reduce debt for troops and contingent-owned equipment to $748 million at the end of 2001. While the aggregate level of debt had been substantially reduced, continuing efforts were needed to collect unpaid assessments long in arrears.

13. New challenges lay ahead, however, beginning with the level of real resources budgeted for the Organization for 2002-2003. While the budget for 2000-2001 included an increase of $165 million to cover requirements for inflation and currency, the budget request for 2002-2003 had been reduced by $75 million in real terms. In order to accommodate that reduction, the Secretary-General was putting in place measures in several support areas that had the potential to allow the Organization to function within the resources appropriated.

14. Current year-end projections for 2002 were for a zero cash balance for the regular budget and related reserves compared with a positive balance of $2 million on 31 December 2001. That projection assumed full payment of the amount of its 2002 assessment by the major contributors and a similar pattern of payment as in 2001 by other contributors. On that basis, the regular budget was expected to experience a cash deficit at various points during the second half of the year, before ending the year with a zero balance. The situation of the regular budget therefore remained very fragile. As for the tribunals, the need for cross-borrowing was anticipated, and in future, cross-borrowing from peacekeeping operations might become a necessity.

15. Projections for peacekeeping were difficult to make and could change significantly at any time, but

current projections forecast the cash balance at the end of 2002 to be around $1.3 billion.

16. As for debt owed to Member States, new obligations in 2002 were projected to be substantially higher, at $811 million, but total disbursements were expected to be around $890 million for troop and equipment debt, and a considerably lower total level of debt, $666 million, was forecast at year-end. Overall, at the end of 2002, all troop obligations through July 2002 were projected to be paid, leaving only six months of outstanding troop costs.

17. Based on those projections of income and expenditure, total cash balances at the end of 2002 were expected to be $1,328 million, made up of a zero balance for the combined regular budget accounts, $11 million for the international tribunals and $1,317 million for peacekeeping operations. The combined balances remained fairly high compared with recent years.

18. That relatively healthy total, however, masked a potential problem. Under the terms of General Assembly resolution 53/241, the Secretary-General could no longer cross-borrow from active peacekeeping missions, only closed ones. Additionally, he could only borrow from the Peacekeeping Reserve Fund for new or expanded peacekeeping missions. Increasingly, therefore, overall cash resources might not be as freely available for cross-borrowing to meet short-term cash deficits in the regular budget or tribunals.

19. Approximately $400 million was available in the accounts of completed peacekeeping operations, currently the only source of cross-borrowing for the regular budget and the fluctuating needs of ongoing peacekeeping missions. Final reports on several of those closed missions would be presented in 2002, as those resources could be rapidly depleted. In that case, the Organization could lose its safety valve and face the very real possibility of further financial stress if the cash resources in other accounts were depleted.

20. In conclusion, 2001 saw a significant improvement in the financial situation of the Organization: arrears were reduced, as were debts to troop and equipment providers. But significant arrears remained and reserves were depleted. Decisions that had been or might be taken by the General Assembly had reduced flexibility in dealing with temporary cash shortfalls and could lead to cash difficulties in the future. The Secretary-General was committed to addressing those problems, but success depended on the support and commitment of Member States to the Organization.

The meeting rose at 10.50 a.m.